



POWERED BY



Servant Solutions

Serving HIM for your benefit.

Roth FAQ

At Wesleyan Pension Fund, we are continually working to build a retirement plan that serves our members well and supports the calling God has placed on their lives. Beginning in January 2026, you will have access to a new way to save for your future: the **Roth 403(b)**. This option allows you to pay taxes on your contributions today so your retirement distributions and the growth in your account can be received completely tax-free. It is another tool to help you prepare with confidence and step into retirement knowing your future is secure.

1. What is a Roth 403(b) contribution?

A Roth 403(b) contribution is a type of elective deferral that employees can make to their 403(b) retirement plan. With a Roth 403(b) contribution, the employee irrevocably designates the deferral as an after-tax contribution that the employer must deposit into a designated Roth 403(b) account. The employer includes the amount of the Roth 403(b) contribution in the employee's gross income at the time the employee would have otherwise received the amount in cash if the employee had not made the election. It is subject to all applicable wage-withholding requirements.

2. Are Roth Contributions right for you?

Roth contributions may reap advantageous tax results for some participants but could actually harm tax outcomes for pastors/others. Your goal in deciding whether to make Roth contributions is to determine if they will create a tax advantage for you in the future. Your tax preparer, CPA, or Wesleyan Pension Fund can help in determining if it is right for you.

3. Can I make both, traditional pre-tax contributions and Roth 403(b) contributions, in the same year?

Yes, you can contribute to both your designated Roth 403(b) account and to your traditional pre-tax 403(b) account in the same year in any proportion you choose as long as the contributions are within the maximum contribution limits.

4. Is there a limit on how much I may contribute to my designated Roth 403(b) account?

Yes, the combined amount contributed to all designated Roth 403(b) accounts and traditional, pre-tax accounts in any one year for any individual is limited (under IRC Section 402(g)). The contribution limits are subject to change annually. To review the current year contribution limits, check our website.

5. Can I make age-50 catch-up contributions as a designated Roth 403(b) contribution to my designated Roth account??

Yes, provided you are age 50 or older by the end of the year.

6. Can I contribute the maximum, including catch-up contributions, to both a designated Roth 403(b) account and a Roth IRA in the same year?

Yes. If you are age 50 or older, you can make a contribution of up to \$31,000 to your Roth 403(b) plan (\$23,500 regular and \$7,500 catch-up contributions) and \$7,500 to a Roth IRA (\$6,500 regular and \$1,000 catch-up IRA contributions) for a total of \$37,500 for 2025. Please remember that income limits may limit your contributions in any given year. Beginning in 2026, if your FICA wages exceed \$145,000 (indexed for inflation) and you make catch-up contributions (age 50+) your catch-up contributions must be made as Roth.

7. Do the same income restrictions that apply to Roth IRAs apply to designated Roth 403(b) contributions?

No, the same limits on your income do not apply when determining if you can make designated Roth 403(b) contributions. Contributions for a 403(b) account are limited to the lesser of the annual contribution limit or 100% of your "includible compensation."

It is important to note that "includible compensation" is defined by the IRS as follows:

1. Taxable compensation reported in Box 1 of Form W-2 (the housing allowance paid to a minister is NOT included), plus
2. Salary reduction contributions to a 403(b) or 401(k) plan, plus
3. Elective deferrals to a Section 125 cafeteria plan, plus
4. Elective deferrals to a 457 plan, plus
5. Contributions to qualified transportation fringe benefit plans.

8. Can my employer match my designated Roth 403(b) contributions? Must my employer allocate the matching contributions to a designated Roth 403(b) account?

Yes, your employer can make matching contributions on your designated Roth contributions. However, your employer must allocate any contributions to match designated Roth 403(b) contributions into your traditional 403(b) pre-tax account.

9. Can I change my mind and have designated Roth 403(b) contributions treated as pre-tax elective contributions?

No. Once you designate contributions as Roth 403(b) contributions, you cannot later change them to traditional, pre-tax elective contributions.

10. Can I make a designated Roth 403(b) contribution for my spouse if my spouse has no earned income, as permitted with a spousal IRA account?

No. Although you can contribute to a traditional or Roth IRA for your spouse based on your earned income, you cannot contribute to your Roth 403(b) account for your spouse.

11. What is a qualified distribution from a designated Roth 403(b) account?

A qualified distribution is generally a distribution that is made after a 5-taxable-year period of participation and is either:

- made on or after the date you attain age 62
- made after your death, or

If a distribution is made to your alternate payee or beneficiary, then your age, death is used to determine whether the distribution is qualified. The only exception is when the alternate payee or surviving spouse rolls over the distribution to his or her own employer's designated Roth 403(b) account, in which case their own age, death or disability is used to determine whether the distribution is qualified.

12. Is a qualified distribution from a designated Roth 403(b) account included in your gross income?

A qualified distribution from a designated Roth account is NOT included in your gross income.

13. Is a nonqualified distribution from a designated Roth 403(b) account included in your gross income?

A distribution that is not a qualified distribution will be partially included in gross income if there are earnings in the account.

- The distribution will be treated as coming pro-rata from earnings and contributions (basis).
- The 10% tax on early withdrawals may apply to the part of the distribution that is includible in gross income.

14. What is a 5-taxable-year period of participation? How is it calculated?

The 5-taxable-year period of participation begins on the first day of your taxable year for which you first made Roth 403(b) contributions to the plan. It ends when five consecutive taxable years have passed. If you make a direct rollover from a designated Roth 403(b) account under another plan, the 5-taxable-year period for the recipient plan begins on the first day of the taxable year that you made designated Roth 403(b) contributions to the other plan, if earlier.

15. What happens if I take a distribution from my designated Roth 403(b) account before the end of the 5-taxable-year period?

If you take a distribution from your designated Roth 403(b) account before the end of the 5-taxable-year period, it is a nonqualified distribution. You must include the earnings portion of the nonqualified distribution in gross income. However, the basis (or contributions) portion of the nonqualified distribution is not included in gross income. The basis portion of the distribution is determined by multiplying the amount of the nonqualified distribution by the ratio of Roth 403(b) contributions to the total designated Roth 403(b) account balance. For example, if a nonqualified distribution of \$5,000 is made from your designated Roth 403(b) account when the account consists of \$9,400 of Roth 403(b) contributions and \$600 of earnings, the distribution consists of \$4,700 of Roth 403(b) contributions (that are not includible in your gross income) and \$300 of earnings (that are includible in your gross income).

16. Since I make Roth 403(b) contributions from after-tax income, can I make tax-free withdrawals from my designated Roth 403(b) account at any time?

No, the same restrictions on withdrawals that apply to the traditional pre-tax contributions also apply to Roth 403(b) contributions.

17. Can I roll over other Roth accounts to Wesleyan Pension Fund?

Wesleyan Pension Fund will accept rollovers of Roth accounts from other employer-sponsored retirement plans that allow Roth contributions (a 403(b) or a 401(k)). However, applicable law does not allow Roth IRAs to be rolled over into your Wesleyan Pension Fund Roth 403(b) account because Roth IRAs are subject to different rules. Call Wesleyan Pension Fund at (800) 595-4131 for rollover assistance.

18. Can I roll over distributions from a designated Roth 403(b) account to another employer's designated Roth 403(b) account or into a Roth IRA?

Yes. However, because a distribution from a designated Roth 403(b) account consists of both pre-tax money (earnings on the Roth contributions) and basis (Roth contributions), it must be rolled over into a designated Roth 403(b) account through a direct rollover. If the distribution is made directly to you and then rolled over within 60 days, the basis portion cannot be rolled over to another designated Roth 403(b) account, but can be rolled over into a Roth IRA.

19. Who is responsible for keeping track of the designated Roth 403(b) contributions and 5-taxable-year period?

Servant Solution's administration partner, Principal Financial Group, will be responsible for keeping track of the amount of designated Roth 403(b) contributions made for each employee and the date of the first designated Roth 403(b) contribution for calculating an employee's 5-taxable-year period.

20. Since a qualified distribution from a designated Roth 403(b) account is not subject to taxation, must the distribution be reported?

Yes, a distribution from a designated Roth 403(b) account must be reported on a Form 1099-R. This form will be provided by Principal Financial Group.

21. Since Roth 403(b) contributions are already included as part of wages, tips & other compensation on Form W-2, must Roth 403(b) contributions also be identified on Form W-2?

Yes, contributions to a designated Roth 403(b) account must be reported separately on the Form W-2 in Box 12, using the Code BB.

22. What are the benefits of contributing to a designated Roth 403(b) account versus contributing to a Roth IRA?

Compared to a Roth IRA, designated Roth 403(b) accounts:

- Offer larger annual contribution limits than Roth IRAs,
- Are not subject to the modified gross income limitations that restrict some individuals from contributing to Roth IRAs, and
- Allow participants to keep their Roth and pre-tax retirement savings within a single plan.

23. Do the required minimum distribution rules apply to designated Roth 403(b) accounts?

No. Beginning in 2024, SECURE 2.0 eliminated required minimum distributions (RMDs) from designated Roth 403(b) accounts. Members will still need to take RMDs at age 73 from their pre-tax 403(b) balances, but Roth balances are no longer subject to this rule.

24. Can I convert my traditional 403(b) pre-tax or after-tax account to the Roth 403(b)?

Yes. The plan can allow rollovers to be designated Roth within the same plan (an “in-plan Roth rollover”). They must also be from the elective deferrals from participants and can include those elective deferral earnings. The amount doesn’t have to be eligible for distribution; however, the rollover must be direct (not a 60-day rollover) if the amount is not otherwise eligible for distribution. An in-plan Roth rollover usually results in taxable income to the participant. A typical rollover from a pre-tax account will result in the entire amount of the rollover, including earnings, being included in gross income.